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Message Text

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E.O. 11652: N/A
TAGS: ENRG, OECD
SUBJECT: IEA: DRAFT LONG-TERM COOPERATION PROGRAM

ATTACHED IS THE TEXT OF THE DRAFT LONG-TERM COOPERATION PROGRAM PREPARED BY THE SECRETARIAT FOLLOWING THE GOVERNING BOARD DISCUSSIONS OF 19TH DECEMBER, 1975. THIS TEXT HAS NOT YET BEEN REPORDUCED BY THE SECRETARIAT OR DISTRIBUTED TO OTHER DELEGATIONS. TWO BRIEF POINTS OF CLARIFICATION WILL FOLLOW BY SEPTEL.

BEGIN TEXT

CHAPTER I

GENERAL PURPOSES

1. THE PARTICIPATING COUNTRIES, IN ORDER TO CONTRIBUTE TO THE SECURITY OF THEIR ENERGY SUPPLY, TO THE REDUCTION
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OF THEIR DEPENDENCE ON IMPORTED OIL AS A GROUP AND TO

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MORE STABLE CONDITIONS IN THE WORLD OIL MARKET, AGREE TO IMPLEMENT A PROGRAM OF LONG-TERM COOPERATION ON ENERGY. THE PROGRAM IS DESIGNED TO ACHIEVE AN EQUITABLE BALANCE OF ADVANTAGE AMONG THE PARTICIPATING COUNTRIES, TAKING INTO ACCOUNT THEIR ECONOMIC AND SOCIAL INTERESTS AND OBJECTIVES. ALL THE ELEMENTS OF THE PROGRAM SHALL BE REGARDED AS INTERLINKED; AND SHALL BE IMPLEMENTED IN SUCH A MANNER AS TO ENSURE A CONTINUING BALANCE BETWEEN BURDENS AND BENEFITS.

2. THIS PROGRAM SHALL BE CARRIED OUT THROUGH THE COORDINATION OF NATIONAL EFFORTS AND BY COOPERATIVE ACTIVITIES DESIGNED TO:

(A) PROMOTE THE CONSERVATION OF ENERGY;

(B) ACCELERATE THE DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY WITHIN IEA COUNTRIES AND OUTSIDE, THROUGH:
(I) AN OVERALL FRAMEWORK OF COOPERATION IN PROVIDING SPECIFIC MEASURES OF ASSISTANCE TO INCREASE AND STIMULATE INVESTMENT ON A PROJECT-BY-PROJECT BASIS;
(II) A GENERAL MEASURE TO ENCOURSE AND SAFEGUARD INVESTMENTS IN THE BULK OF CONVENTIONAL ALTERNATIVE SOURCES OF ENERGY;
(III) COOPERATION IN THE PRODUCTION OF ADDITIONAL ENERGY FROM INDIVIDUAL ENERGY SECTORS;

(C) ENCOURAGE AND PROMOTE NEW AND BENEFICIAL TECHNOLOGIES FOR THE EFFICIENT PRODUCTION AND UTILIZATION OF ENERGY;

(D) WORK TOWARD REMOVAL OF LEGISLATIVE AND ADMINISTRATIVE OBSTACLES AND DISCRIMINATORY PRACTICES TO THE REALIZATION OF THE PROGRAM AND SO TO CONTRIBUTE TO AN EFFICIENT FUNCTIONING OF THE WORLD ENERGY MARKET.

3. (A) THE PARTICIPATING COUNTRIES SHALL ESTABLISH PERIODICALLY MEDIUM AND LONG-TERM OBJECTIVES FOR THE REDUCTION OF THE DEPENDENCE OF THE GROUP AS A WHOLE ON
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IMPORTED OIL. THE PARTICIPATING COUNTRIES SHALL PERIODICALLY REVIEW PROGRESS TOWARD THESE OBJECTIVES AND ASSESS THE ADEQUACY OF THEIR NATIONAL AND COOPERATIVE ACTIVITIES.

(B) THE PARTICIPATING COUNTRIES SHALL TAKE INTO CONSIDERATION DEVELOPMENTS IN THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION IN IMPLEMENTING THE PROGRAM

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AND REVISING IT AS AND WHEN NECESSARY.

CHAPTER II

CONSERVATION

1. THE PARTICIPATING COUNTRIES SHALL ESTABLISH NATIONAL PROGRAMS AND UNDERTAKE COOPERATIVE ACTIVITIES IN ENERGY CONSERVATION. THE OBJECTIVE OF THIS EFFORT SHALL BE TO REDUCE THE RATE OF GROWTH IN THE GROUP AS A WHOLE OF ENERGY CONSUMPTION IN GENERAL AND OF PETROLEUM IN PARTICULAR. IT IS RECOGNIZED THAT SUCH PROGRAMS AND ACTIVITIES SHOULD BE CONCENTRATED IN THE FIRST INSTANCE ON THE ELIMINATION OF WASTE AND IMPROVEMENT OF THE EFFICIENCY OF ENERGY UTILIZATION, TAKING INTO ACCOUNT, AMONG OTHER FACTORS, THE EFFECT OF ENERGY PRICE LEVELS ON ENERGY DEMAND. THE EFFORT SHALL BE DESIGNED TO TAKE ACCOUNT OF THE ECONOMIC AND SOCIAL CONDITIONS PREVAILAING IN THE PARTICIPATING COUNTRIES, WITH DUE REGARD TO THE NEED TO ACHIEVE SATISFACTORY LEVELS OF ECONOMIC DEVELOPMENT.

2. THE PARTICIPATING COUNTRIES SHALL ESTABLISH CONSERVATION OBJECTIVES FOR THE GROUP, TAKING INTO ACCOUNT THE NATIONAL OBJECTIVES AND FORECASTS OF INDIVIDUAL PARTICIPATING COUNTRIES:

(A) BY 1ST JULY, 1976 THE GOVERNING BOARD, ON THE PROPOSAL OF THE STANDING GROUP ON LONG-TERM COOPERATION (THE "SLT"), SHALL ESTABLISH CONSERVATION OBJECTIVES FOR THE GROUP FOR 1980 AND 1985. THE SLT SHALL REVIEW AND

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REVISE THESE MEDIUM-TERM OBJECTIVES AS APPROPRIATE AND NECESSARY FOR CONSIDERATION BY THE GOVERNING BOARD.

(B) BY 1ST NOVEMBER, EACH YEAR, THE SLT SHALL PROPOSE TO THE GOVERNING BOARD CONSERVATION OBJECTIVES FOR THE GROUP FOR THE SUCCEEDING YEAR.

(C) THE SLT SHALL REPORT REGULARLY TO THE GOVERNING BOARD ON PROGRESS TOWARDS THE ACHIEVEMENT OF THESE OBJECTIVES OF THE GROUP.

3. IN SUPPORT OF THIS OVERALL EFFORT, THE PARTICIPATING COUNTRIES AGREE TO CONDUCT WITHIN THE AGENCY PERIODIC REVIEWS OF THEIR NATIONAL PROGRAMS AND POLICIES RELATING TO CONSERVATION. THESE REVIEWS WILL BE DESIGNED:

(A) TO PROVIDE A THROOUGH AND SYSTEMATIC ASSESSMENT OF EVOLVING NATIONAL PROGRAMS AND POLICIES ON THE BASIS OF COMMON CRITERIA;
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(B) TO IDENTIFY AREAS IN WHICH PROGRAMS MIGHT BE IMPROVED;

(C) TO PROMOTE COOPERATION IN THE AREA OF CONSERVATION, INCLUDING A DETAILSI EXCHANGE OF INFORMATION, EXPERIENCE, AND EXPERTISE IN THE AREA OF CONSERVATION.

THE REVIEWS SHALL BE CONDUCTED BY THE SLT WHICH SHALL MAKE A FULL REPORT ON THEIR RESULTS AND CONCLUSIONS TO THE GOVERNING BOARD.

CHAPTER III

ACCELERATED DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY

1. THE PARTICIPATING COUNTRIES AGREE TO CARRY OUT NATIONAL PROGRAMS AND TO UNDERTAKE COOPERATIVE MEASURES

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AND PROGRAMS TO STIMULATE AND INCREASE PRODUCTION FROM ALTERNATIVE SOURCES OF ENERGY AS RAPIDLY AS POSSIBLE, CONSISTENT WITH THEIR ECONOMIC AND SOCIAL CONDITIONS.

2. THE PARTICIPATING COUNTRIES WILL, AS APPROPRIATE AND NECESSARY, CREATE A CLIMATE FAVORABLE FOR INVESTMENT IN ENERGY, EMPLOY PUBLIC RESOURCES AND CONTRIBUTE TO, OR DIRECTLY ENGAGE IN, THE PRODUCTION OF ALTERNATIVE SOURCES OF ENERGY.

3. THE PARTICIPATING COUNTRIES SHALL ESTABLISH MEDIUM- AND LONG-TERM OBJECTIVES FOR THE GROUP AS A WHOLE FOR THE PRODUCTION OF ALTERNATIVE SOURCES OF ENERGY, TAKING INTO ACCOUNT NATIONAL PROGRAMS AND POLICIES OF PARTICIPATING COUNTRIES. THE SLT SHALL:

(A) REVIEW AND REVISE THESE MEDIUM-TERM OBJECTIVES AS APPROPRIATE AND NECESSARY FOR CONSIDERATION BY THE GOVERNING BOARD;

(B) REPORT REGULARLY TO THE GOVERNING BOARD ON PROGRESS TOWARDS THE ACHIEVEMENT OF THESE OBJECTIVES BY THE GROUP.

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4. THE PARTICIPATING COUNTRIES SHALL UNDERTAKE PERIODIC REVIEWS OF THE ACTIVITIES SET FORTH IN THE FOLLOWING SECTIONS OF THIS CHAPTER IN TERMS OF:

(A) THEIR EFFECTIVENESS IN DEVELOPMENT OF ALTERNATIVE SOURCES OF ENERGY PRODUCTION;

(B) THE MAINTENANCE OF AN EQUITABLE BALANCE BETWEEN GENERAL AND SPECIFIC MEASURES OF COOPERATION IN THE DEVELOPMENT OF ENERGY;

(C) THE POSSIBLE NEED FOR ADDITIONAL TYPES OF COOPERATIVE AGENCY ACTIVITES WITHIN THIS FRAMEWORK OF COOPERATION.

A. REVIEW OF NATIONAL PROGRAMS

1. THE PARTICIPATING COUNTRIES AGREE TO CONDUCT PERIODIC REVIEWS WITHIN THE AGENCY OF THEIR NATIONAL PROGRAMS AND POLICIES RELATING TO THE ACCELERATED PRODUCTION OF ALTERNATIVE SOURCES OF ENERGY. THESE REVIEWS SHALL BE DESIGNED:

(A) TO PROVIDE A THOROUGH AND SYSTEMATIC ASSESSMENT OF EVOLVING NATIONAL PROGRAMS AND POLICIES ON THE BASIS OF

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COMMON CRITERIA;

(B) TO IDENTIFY AREAS IN WHICH PROGRAMS MIGHT BE IMPROVED;

(C) TO PROMOTE COOPERATION IN THE AREA OF ACCELERATED PRODUCTION, INCLUDING A DETAILED EXCHANGE OF INFORMATION, EXPERIENCE AND EXPERTISE IN THE PRODUCTION OF ALTERNATIVE SOURCES OF ENERGY.

.2. THESE REVIEWS SHALL BE CONDUCTED BY THE SLT, WHICH SHALL MAKE A FULL REPORT ON THEIR RESULTS AND CONCLUSIONS TO THE GOVERNING BOARD.

B. COOPERATION IN SPECIFIC ENERGY SECTORS

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1. THE PARTICIPATING COUNTRIES SHALL COOPERATE, TO THE EXTENT FEASIBLE AND DESIRABLE, IN INCREASING THE PRODUC-TION OF ENERGY FROM SPECIFIC ENERGY SECTORS.

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2. THE PARTICIPATING COUNTRIES SHALL ASSESS PERIODICALLY, DRAWING ON THE RESULTS OF THE REVIEWS OF NATIONAL PROGRAMS, THE POTENTIAL FOR ADDITIONAL ENERGY PRODUCTION FROM VARIOUS SOURCES WITHIN THE IEA AREA. ON THE BASIS OF THIS ASSESSMENT, THE PARTICIPATING COUNTRIES WILL EXPLORE COOPERATIVE ACTIVITIES WHICH MAY BE APPROPRIATE AND NECESSARY TO INCREASE THE PRODUCTION OF ENERGY FROM THESE SPECIFIC ENERGY SECTORS.

3. THE WORK PROGRAM ALREADY UNDER WAY IN THE NUCLEAR AND COAL SECTORS SHOULD BE CONTINUED ACTIVELY. THE SLT SHALL IDENTIFY ADDITIONAL AREAS FOR SUCH COOPERATIVE ACTIVITIES AS SOON AS POSSIBLE AND MAKE PROPOSALS, AS APPROPRIATE, TO THE GOVERNING BOARD FOR ITS CONSNJERATION.

C. FRAMEWORK FOR COOPERATION ON ENERGY PROJECTS

1. THE PARTICIPATING COUNTRIES SHALL ESTABLISH AN OVERALL FRAMEWORK FOR COOPERATION UNDER WHICH SPECIFIC MEA-
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SURES OF ASSISTANCE WILL BE PROVIDED. THE FRAMEWORK IS INTENDED TO INCREASE THESUPPLY OF ENERGY WITHIN THE GROUP BY STIMULATING AND INCREASING INVESTMENT IN ENERGY PRODUCTION A PROJECT-BY-PROJECT BASIS. BOTH LOWER AND --WHERE JUSTIFIED--HIGHER COST PROJECTS WILL BE EMBRACED BY THIS COOPERATION, WHICH WILL HAVE AS ITS PARTICULAR OBJECTIVE THE FACILITATION OF CONCRETE PROJECTS BRINGING TOGETHER COMPLEMENTARY FACTORY OF PRODUCTION FROM TWO OR MORE PARTICIPATING COUNTRIES.

2. IN SUPPORT OF THIS COOPERATIVE EFFORT, THE AGENCY SECRETARIAT SHALL ESTABLISH A CLEARING-HOUSE FOR RELEVANT INFORMATION ON:

(A) ENERGY POLICIES AND PROGRAMS OF THE PARTICIPATING COUNTRIES;

(B) OPPORTUNITIES FOR, AND MAJOR CHARACTERISTICS OF, POSSIBLE COOPERATIVE ENERGY PROJECTS IN IEA COUNTRIES.

THE ABOVE INFORMATION WILL BE PROVIDED BY THE PARTICIPATING COUNTRIES AND OTHER SOURCES AS APPROPRIATE. THE

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AGENCY SECRETARIAT SHALL COLLECT AND DISSEMINATE THIS INFORMATION TO THE PARTICIPATING COUNTRIES AND, AS APPROPRIATE, TO THE PRIVATE SECTOR.

3. IN ORDER TO PROMOTE COOPERATIVE ENERGY PROJECTS, THE AGENCY WILL:

(A) ON REQUEST, ARRANGE FOR JOINT MEETINGS AMONG PARTIES INTERESTED IN SPECIFIC PROJECTS;

(B) ON REQUEST, OFFER ITS ASSISTANCE IN CONCLUDING INDIVIDUAL AGREEMENTS; AND

(C) MAINTAIN A LIST OF AGREEMENTS FOR COOPERATIVE PROJECTS.

4. THE PARTICIPATING COUNTRIES SHALL ENDEAVOR TO DEVELOP, UNDER THIS FRAMEWORK FOR COOPERATION, BY 1ST JANUARY, 1977, A FIRST SET OF CONCRETE COOPERATIVE PROJECTS,
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INCLUDING BOTH LOWER COSTS AND--WHERE JUSTIFIED--HIGHER COST PROJECTS, WHICH HAVE BEEN OR MAY BE DEVELOPED BY THE PUBLIC AND/OR PRIVATE SECTORS OF TWO OR MORE PARTICIPATING COUNTRIES.

5. IN ORDER TO ENCOURAGE AND FACILITATE THE FORMATION OF COOPERATIVE PROJECTS FOR INCREASED PRODUCTION FROM ALTERNATIVE SOURCES OF ENERGY, THE PARTICIPATING COUNTRIES ADOPT THE FOLLOWING GUIDING PRINCIPLES:

(A) THE GOVERNMENTS OF PARTICIPATING COUNTRIES WILL HELP TO IDENTIFY, ON A CASE-BY-CASE BASIS, SPECIFIC COOPERATIVE PROJECTS FOR THE PRODUCTION OF ADDITIONAL ENERGY SUPPLIES IN WHICH ENTERPRISES AND PARTIES, PUBLIC OR PRIVATE, FROM TWO OR MORE PARTICIPATING COUNTRIES ARE WILLING TO TAKE PART. ENTERPRISES AND PARTIES TAKING PART IN A PROJECT WOULD MAKE A FINANCIAL, SCIENTIFIC, MATERIAL, MANPOWER AND/OR TECHNICAL CONTRIBUTION AS AGREED AMONG THEM.

(B) (I) WITH RESPECT TO SPECIFIC COOPERATIVE ENERGY PROJECTS INVOLVING PUBLIC AND/OR PRIVATE ENTERPRISES OR PARTIES OF OTHER PARTICIPATING COUNTRIES, WHICH THE HOST GOVERNMENT DETERMINES ARE IN ACCORD WITH ITS JURISDICTION AND ITS NATIONAL POLICIES, THE GOVERNMENTS OF THE PARTIES TAKING PART IN A PARTICULAR COOPERATIVE PROJECT SHALL FACILITATE INVESTMENT (INCLUDING INVESTMENT IN EXPLORATION FOR AND EXPLOITATION OF ENERGY SOURCES) BY ENDEAVORING TO:

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- ACCORD NATIONAL TREATMENT AND MOST FAVORED NATION TREATMENT TO SUCH ENTERPRISES, OR PARTIES;

- AVOID THE INTRODUCTION OF NEW LIMITATIONS UPON THE EXTENT TO WHICH SUCH ENTERPRISES ARE ACCORDED NATIONAL TREATMENT AND MOST FAVORED NATION TREATMENT WITH RESPECT TO SUCH COOPERATIVE ENERGY PROJECTS;

- USE GOOD OFFICES WHERE REQUESTED AND WHERE APPROPRIATE;

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- AVOID THE INTRODUCTION OF LIMITATIONS ON THE EXCHANGE OF SKILLED MANPOWER, AND MATERIALS AND

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EQUIPMENT, TAKING INTO ACCOUNT THE NEEDS AND THE POSSIBILITIES OF THE COUNTRIES CONCERNED, WHICH MAY BE REQUIRED FOR SUCCESSFUL COMPLETION OF SUCH PROJECTS AS WELL AS ON ASSOCIATED TRANSACTIONS IN FINANCIAL ASSETS, INCLUDING THE REPATRIATION OF PROFITS OF SUCH ENTERPRISES;

- TAKE ACCOUNT IN CONSIDERING ALTERATIONS OF TAXATION AND PRODUCTION POLICY AS THEY RELATE TO THOSE PROJECTS OF THE EFFECT OF SUCH ALTERATIONS ON THE ECONOMICS OF SUCH PROJECTS INCLUDING PROJECTS ALREADY UNDER WAY;

- AVOID INTRODUCING, ONCE SUCH A PROJECT IS ESTABLISHED, NEW MEASURES WHICH WOULD MAKE MANDATORY A CHANGE IN THE DEGREE OF PARTICIPATION BY ENTERPRISES FROM OTHER PARTICIPATING COUNTRIES.

(II) WITH RESPECT TO THOSE SPECIFIC COOPERATIVE

ENERGY PROJECTS WHICH THE HOST GOVERNMENTS DETERMINE ARE LIKELY TO LEAD TO A SUBSTANTIAL INCREASE IN ENERGY PRODUCTION WHICH PROBABLY WOULD NOT OTHERWISE BE AVAILABLE AND INVOLVE A SUBSTANTIAL CONTRIBUTION FROM PUBLIC AND/OR PRIVATE ENTERPRISES OF OTHER PARTICIPATING COUNTRIES, THE HOST GOVERNMENT SHALL CONSIDER:

- GUARANTEEING TO ENTERPRISES OR OTHER PARTIES FROM OTHER PARTICIPATING COUNTRIES, THROUGH LEGISLATIVE AND ADMINISTRATIVE ACTIONS IF NECESSARY AND APPROPRIATE, THE RIGHT TO EXPORT TO THEIR OWN COUNTRIES A PORTION OF THE PRODUCT OF THE PROJECT CORRESPONDING TO THEIR PWNTICIPATION IN THE PROJECT OR AN EQUITABLE PORTION AS MAY BE AGREED;

- AFFORDING TO NATIONALS AND COMPANIES OF OTHER PARTICIPATING COUNTRIES WHICH BECOME PARTIES TO SUCH A PROJECT INCENTIVES SIMILAR TO THOSE GRANTED TO ITS OWN NATIONALS OF COMPANIES WHICH RESPECT TO THAT PROJECT.

1. IN ORDER TO ENCOURAGE AND SAFEGUARD NEW INVESTMENT IN THE BULK OF CONVENTIONAL ALTERNATIVE SOURCES OF ENERGY, THE PARTICIPATING COUNTRIES SHALL, AS A GENERAL MEASURE OF COOPERATION ENSURE THAT IMPORTED OIL IS NOT SOLD IN THEIR DOMESTIC MARKETS BELOW A PRICE CORRESPOND-

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ING TO US$ 7/BBL IN ACCORDANCE WITH THE FOLLOWING PARA-
GRAPHS OF THIS SECTION AND WITH ANNEX I HERETO. THE
PRICE OF US$ 7/BBL IS HEREAFTER REFERCND TO AS THE MINI-
MUM SAFEGUARD PRICE (THE "MSP").

2. FOR THE PURPOSES OF THIS GENERAL MEASURE, THE TERM
"OIL" SHALL INCLUDE:

(A) CRUDE OIL, AND

(B) OIL PRODUCTS AS DETERMINED IN ACCORDANCE WITH THE
PROVISIONS OF ANNEX I HERETO.

3. THE TERM "IMPORTED OIL" SHALL INCLUDE ALL OIL ENTER-
ING THE DOMESTIC MARKET OF A PARTICIPATING COUNTRY WHICH
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HAS BEEN PRODUCED OUTSIDE THE PARTICIPATING COUNTRY,
EXCEPT:

(A) OIL TRADED AMONG MEMBERS OF THE SAME CUSTOMS UNION
IF APPLYING THE SAME EXTERNAL MEASURE TO GUARANTEE THE
MSP;

(B) OIL PRODUCED IN PARTICIPATING COUNTRIES AND TRADED
AMONG MEMBERS OF THE SAME FREE TRADE AREA;

(FOOTNOTE APPLYING TO BOTH 3(A) AND 3(B) ABOVE: THE
OBJECTIVE OF PARTICIPATING COUNTRIES IN APPLYING 3(A)
AND (B) WITHIN EUROPE WILL BE THAT OIL PRODUCED WITHIN
EEC OR WITHIN FREE TRADE AREAS IN EUROPE WILL NOT BE
TREATED AS IMPORTED OIL WHEN TRADED WITHIN THESE AREAS
AMONG PARTICIPATING COUNTRIES.)

(C) OIL PRODUCED OUTSIDE THE PARTICIPATING COUNTRY AND
IMPORTED UNDER A SPECIAL COOPERATIVE AGREEMENT OR
ARRANGEMENT, AS MAY BE AGREED BY THE GOVERNING BOARD IN
ACCORDANCE WITH ANNEX I HERETO.

4. THE INTENDED EFFECT OF THE MSP SHALL BE MAINTAINED IN
THE FOLLOWING MANNER:

(A) THE MSP LEVEL SHALL BE REVIEWED BY THE SLT FROM TIME
TO TIME AS APPROPRIATE OR AT THE REQUEST OF ONE OF THE
PARTICIPATING COUNTRIES. THE RESULTS OF THIS REVIEW
SHALL BE COMMUNICATED TO THE GOVERNING BOARD FOR ITS
CONSIDERATION.

(B) THE REVIEW SHALL TAKE ACCOUNT OF THE OVERALL OBJEC-
TIVES OF THE INTERNATIONAL ENERGY PROGRAM, THE OBJECTIVES

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AND RESULTS OF THE LONG-TERM COOPERATION PROGRAM, INCLUDING THE ENCOURAGEMENT AND SAFEGUARDING OF THE INVESTMENT IN THE BULK OF CONVENTIONAL ENERGY SOURCES, THE EVOLUTION OF THE WORLD ENERGY SITUATION, AND THE ECONOMIC SITUATION OF THE WORLD IN GENERAL AND OF THE PARTICIPATING COUNTRIES IN PARTICULAR.

(C) THE GOVERNING BOARD SHALL CONSIDER ON THE BASIS OF
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THIS REVIEW (I) WHETHER THE EXISTING MSP LEVEL IS ADE-

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QUATE TO MEET THE OBJECTIVES SET FORTH IN PARAGRAPH 1 OF THIS SECTION AND THE CRITERIA IN SUB-PARAGRAPH (B) ABOVE OR (II) WHETHER A NEW MSP LEVEL SHOULD BE FIXED IN THE

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LIGHT OF THESE OBJECTIVES AND CRITERIA. THE GOVERNING BOARD SHALL DECIDE CHANGES IN THE LEVEL OF THE MSP BY UNANIMOUS VOTE UNLESS THE GOVERNING BOARD HEREAFTER DECIDES UNANIOUSLY ON ANOTHER VOTING RULE.

5 (A) IN ORDER TO MEET THE COMMITMENT SET FORTH IN PARAGRAPH 1 OF THIS SECTION, EACH PARTICIPATING COUNTRY OR GROUP OF PARTICIPATING COUNTRIES SHALL APPLY A MEASURE OR MEASURES OF ITS/THEIR OWN CHOICE FROM AMONG THE MEASURES LISTED IN ANNEX I HERETO.

(B) THE PARTICIPATING COUNTRIES SHALL ENDEAVOR NOT TO APPLY SUCH MEASURE OR MEASURES IN A MANNER WHICH WOULD DISCRIMINATE AGAINST IEA-PRODUCED OIL RELATIVE TO OIL PRODUCED OUTSIDE THE IEA AREA.

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6. THE PARTICIPATING COUNTRIES UNDERTAKE THAT, IN THE EVENT OF THE ACTIVATION OF THE COMMITMENT ESTABLISHED IN PARAGRAPH 1 OF THIS SECTION, THEY WILL NOT ENCOURAGE THE IMPORT OF OIL PRODUCED OUTSIDE THE IEA WITH THE EFFECT OF DISPLACING WITHIN THEIR MARKETS OIL PRODUCED WITHIN THE IEA AREA.

7. THE SECRETARIAT SHALL ON A CONTINUING BASIS, DRAWING, IN PARTICULAR, ON THE GENERAL INFORMATION SYSTEM ESTABLISHED BY CHAPTER V OF THE IEP AGREEMENT, MONITOR AND ASSESS THE TREND OF THE WORLD OIL PRICE PAID FOR IMPORTED CRUDE OIL BY INDIVIDUAL PARTICIPATING COUNTRIES.

8. WITHIN 30 DAYS FOLLOWING EITHER A FINDING BY THE SECRETARIAT OR A REPORT BY A PARTICIPATING COUNTRY OR GROUP OF PARTICIPATING COUNTRIES THAT THE CONDITIONS REQUIRING ACTIVATION OF THE COMMITMENT AS SET FORTH IN PARAGRAPH 1 OF THIS SECTION WILL MOST LIKELY BE MET, THE GOVERNING BOARD SHALL MEET:

(A) TO REVIEW THE GENERAL OIL PRICE SITUATION AND THE IMPLICATIONS THEREOF WITH REGARD TO THE GENERAL MEASURE OF COOPERATION;

(B) TO EXCHANGE/REVIEW INFORMATION ON THE EFFECTIVENESS OF MEASURES WHICH WILL BE APPLIED IF AND WHEN NECESSARY TO MEET THE COMMITMENT ESTABLISHED IN PARAGRAPH 1 OF THIS SECTION;

(C) TO REVIEW THE STATUS OF THE OTHER UNDERTAKINGS PROVIDED UNDER THIS GENERAL MEASURE OF COOPERATION.

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9. IN ANY CASE, THE GOVERNING BOARD SHALL MEET FOR A SPECIAL CONSULTATION BEFORE THE COMMITMENT SET FORTH IN PARAGRAPH 1 OF THIS SECTION IS ACTIVATED BY ANY PARTICIPATING COUNTRY OR GROUP OF PARTICIPATING COUNTRIES. THIS CONSULTATION SHALL NOT AFFECT THE OBLIGATION TO ACTIVATE THE COMMITMENT ACCORDING TO PARAGRAPH 10(A) BELOW.

10. (A) THE COMMITMENT OF EACH PARTICIPATING COUNTRY
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OF GROUP OF PARTICIPATING COUNTRIES SET FORTH IN PARAGRAPH 1 OF THIS SECTION SHALL BE ACTIVATED AS SOON AS THE AVERAGE F.O.B. PRICE PAID FOR IMPORTED CRUDE OIL, AS DEFINED IN PARAGRAPH 3 OF THIS SECTION, BY THE PARTICIPATING COUNTRY OR THE GROUP OF PARTICIPATING COUNTRIES, HAS REMAINED BELOW THE MSP FOR MORE THAN A PRE-AGREED PERIOD BY MORE THAN A PRE-AGREED AMOUNT. EACH PARTICIPATING COUNTRY OR GROUP OF PARTICIPATING COUNTRIES SHALL REPORT TO THE AGENCY WHENEVER THE FOREGOING SITUATION HAS ARISEN AND CONFIRM THAT IT HAS TAKEN THE ACTION REQUIRED TO MEET ITS COMMITMENT.

(B) THE COMMITMENT SET FORTH IN PARAGRAPH 1 OF THIS SECTION WILL BE DE-ACTIVATED WHEN THE AVERAGE F.O.B. PRICE PAID FOR IMPORTED CRUDE OIL, AS DEFINED IN PARAGRAPH 3 OF THIS SECTION, BY THE PARTICIPATING COUNTRY OR GROUP OF PARTICIPATING COUNTRIES RETURNS TO THE LEVEL OF THE MSP OR ABOVE.

11. WITHIN 30 DAYS AFTER A REPORT BY A PARTICIPATING COUNTRY OR GROUP OF PARTICIPATING COUNTRIES, AS SET OUT IN PARAGRAPH 10, OR A REPORT BY THE SECRETARIAT THAT IN ITS OPINION THE COMMITMENT HAS BEEN ACTIVIATED FOR ONE OR MORE PARTICIPATING COUNTRIES, THE PARTICIPATING COUNTRIES SHALL MEET TO REVIEW THE SITUATION. THEREAFTER, UNLESS OTHERWISE AGREED, THE PARTICIPATING COUNTRIES SHALL MEET TO REVIEW THE SITUATION EVERY 90 DAYS AS LONG AS THE COMMITMENT ESTABLISHED IN PARAGRAPH 1 OF THIS SECTION IS STILL ACTIVATED FOR ANY PARTICIPATING COUNTRY.

12. (A) THE SLT SHALL PERIODICALLY REVIEW AND ASSESS EACH PARTICIPATING COUNTRY'S REQUISITE AUTHORITY TO IMPLEMENT THE COMMITMENT SET FORTH IN PARAGRAPH 1 OF THIS SECTION. THE SLT SHALL REPORT TO THE GOVERNING BOARD ON THE RESULTS OF THE REVIEW AND THE ASSESSMENT.

(B) IN ANY CASE, WHENEVER, UPON A FINDING BY THE SECRETARIAT BASED ON ITS CONTINUOUS MONITORING AND ANALYSIS OF WORLD OIL PRICES, THERE IS A REASONABLE EXPECTATION THAT

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IN THE NEAR FUTURE THIS COMMITMENT WILL BE ACTIVATED, OR
WHEN THE GOVERNING BOARD, TAKING THIS ANALYSIS BY THE
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SECRETARIAT INTO DUE CONSIDERATION, ACTING BY MAJORITY
VOTE, SO DECIDES, EACH PARTICIPATING COUNTRY OR GROUP OF
PARTICIPATING COUNTRIES WHICH DOES NOT HAVE THE REQUISITE
AUTHORITY TO IMPLEMENT IT IN A FULLY EFFECTIVE MANNER

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SHALL SEEK THE NECESSARY AUTHORITY TO PERMIT SUCH APPLI-
CATION IN GOOD TIME, EITHER BY EN-ACTMENT OF LEGISLATION,
OR BY PARLIAMENTARY APPROVAL OF AN INTERNATIONAL AGREE-
MENT AMONG PARTICIPATING COUNTRIES EMBODYING PROVISIONS
FOR IMPLEMENTING THE COMMITMENT, OR BY OTHER APPROPRIATE
MEASURES, OR BY A COMBINATION OF THE FOREGOING.

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CHAPTER IV

ENERGY RESEARCH AND DEVELOPMENT

1. THE PARTICIPATING COUNTRIES AGREE TO CARRY OUT NATIONAL PROGRAMS OF ENERGY RESEARCH AND DEVELOPMENT AND, AS MAY BE AGREED BETWEEN SOME OR ALL OF THEM, TO UNDERTAKE COOPERATIVE ACTIVITIES INCLUDING JOINTLY FINANCED PROGRAMS AND PROJECTS IN ENERGY RESEARCH AND DEVELOPMENT.

2. IN ORDER TO PROMOTE AND FACILITATE COOPERATION IN THIS AREA, THE PARTICIPATING COUNTRIES ADOPT THE GUIDING
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PRINCIPLES ON RESEARCH AND DEVELOPMENT AND THE GUIDELINES ON INTELLECTUAL PROPERTY AS A RECOMMENDATION ANNEXED TO THE GUIDING PRINCIPLES, CONTAINED IN ANNEX II HERETO.

3. IN FURTHER SUPPORT OF THIS COOPERATION, THE PARTICIPATING COUNTRIES AGREE TO DEVELOP, AS APPROPRIATE, AND IMPLEMENT A STRATEGY FOR RESEARCH AND DEVELOPMENT. THIS STRATEGY WILL BE CLOSELY LINKED TO, AND COORDINATED WITH THE OTHER PARTS OF THE AGENCY'S LONG-TERM PROGRAM. IT WILL IDENTIFY MAJOR NEW ENERGY SOURCES AND CONSERVATION POSSIBILITIES; THEIR POTENTIAL ENERGY CONTRIBUTION AND PROBABLY TIME SCALE OF COMMERCIAL IMPLEMENTATION AND DEFINE OPTIONS; WILL PROVIDE FOR A PERIODICAL REVIEW OF NATIONAL EFFORTS; AND WILL IDENTIFY POSSIBLE NEW AREAS OF FRUITFUL COOPERATION. THE COMMITTEE ON RESEARCH AND DEVELOPMENT, IN CONJUNCTION WITH THE SLT, SHALL PROPOSE A BASIS FOR THE CHOICE FOR SUCH A STRATEGY FOR CONSIDERATION BY THE GOVERNING BOARD, NOT LATER THAN THE END OF 1976.

4. THE PARTICIPATING COUNTRIES ALSO AGREE TO CONTINUE AND INTENSIFY THEIR COOPERATION IN THE TEN PRIORITY AREAS SPECIFIED IN ARTICLE 42 OF THE E.E.P. AGREEMENT; AND TO EXAMINE IN DEPTH THE POSSIBILITIES OF ESTABLISHING PROGRAMS IN NEW R & D AREAS, NOTABLY:

1. HIGH TEMPERATURE REACTORS FOR PROCESS HEAT.
2. SMALL SOLAR POWER SYSTEMS.
3. GEOTHERMAL.
4. WIND POWER.
5. WAVE POWER.
6. OCEAN THERMAL GRADIENTS.
7. BIOMASS CONVERSION.

CHAPTER V

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LEGISLATIVE AND ADMINISTRATIVE OBSTACLES AND
DISCRIMINATORY PRACTICES

1. WITHOUT PREJUDICE TO THE RIGHTS OF EACH PARTICIPATING
COUNTRY TO EXERCISE OWNERSHIP AND CONTROL OVER ITS
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NATURAL RESOURCES AND NATIONAL ECONOMY AND TO PROTECT ITS
ENVIRONMENT AND THE SAFETY OF ITS CITIZENS, THE PARTICI-
PATING COUNTRIES, RECOGNIZING THE DESIRABILITY IN LIGHT
OF THE OBJECTIVES OF THE PROGRAM OF NOT AFFORDING LESS
FAVORABLE TREATMENT TO NATIONALS FROM OTHER PARTICIPAT-
ING COUNTRIES THAN THAT AFFORDED TO NATIONALS OF THEIR
OWN COUNTRIES IN THE ENERGY FIELD, SHALL WORK TOWARDS
THE IDENTIFICATION AND REMOVAL OF LEGISLATIVE AND ADMIN-
ISTRATIVE MEASURES WHICH IMPAIR THE ACHIEVEMENT OF THE
OVERALL OBJECTIVES OF THE PROGRAM.

2. PARTICIPATING COUNTRIES SHALL USE THEIR BEST
ENDEAVORS TO APPLY LEGISLATION AND ADMINISTRATIVE REGULA-
TIONS, WITHIN THE LIMITS OF THEIR ALREADY EXISTING LAWS
AND REGULATIONS, IN SUCH A WAY AS NOT TO AFFORD TO
NATIONALS OF OTHER PARTICIPATING COUNTRIES LESS FAVORABLE
TREATMENT THAN THAT AFFORDED TO NATIONALS OF THEIR OWN
COUNTRIES, IN PARTICULAR WITH REGARD TO ENERGY INVEST-
MENTS, THE PURCHASE AND SALE OF ENERGY, AND THE ENFORCE-
MENT OF RULES OF COMPETITION.

3. PARTICIPATING COUNTRIES SHALL USE THEIR BEST
ENDEAVORS TO REFRAIN FROM INTRODUCING LEGISLATION OR
ADMINISTRATIVE REGULATIONS IN THE ENERGY FIELD WHICH
WOULD PREVENT THEM FROM AFFORDING THE NATIONALS OF OTHER
PARTICIPATING COUNTRIES TREATMENT NO LESS FAVORABLE THAN
THAT AFFORDED TO THEIR OWN NATIONALS.

4. AS PART OF THE PERIODIC REVIEW UNDER THE PROGRAM, THE
AGENCY SHALL PAY PARTICULAR ATTENTION TO THE EFFORTS OF
EACH PARTICIPATING COUNTRY TO CARRY OUT IS COMMITMENTS
UNDER THIS CHAPTER, IN PARTICULAR IN CONFORMITY WITH THE
ABOVE PARAGRAPHS TO IDENTIFY AND PROGRESSIVELY REMOVE
OBSTACLES TO THEIR IMPLEMENTATION AND TO ASSESS PROGRESS
ACHIEVED BY MEMBER COUNTRIES IN APPROACHING THE OVERALL
OBJECTIVES OF THIS CHAPTER AND TO KEEP THE OVERALL
BALANCE OF THE IMPLEMENTATION OF THE LONG-TERM PROGRAM.

ANNEX I
PROVISIONS FOR THE GENRAL MEASURE SET FORTH IN
CHAPTER III, SECTION D OF THE PROGRAM
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1. THE SLT SHALL EXAMINE AND REPORT TO THE GOVERNING BOARD FOR ITS DECISION BY 1ST JULY, 1976, WHETHER THE MSP LEVEL SET FORTH IN CHAPTER III, SECTION D, PARAGRAPH

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1 SHOULD BE INTERPRETED:

(A) AS A PRICE CORRESPONDING TO US$ 7/BBL F.O.B. AVERAGE OF ONE OR MORE SPECIFIC PERSIAN GULD CRUDES;

(B) OR AS A PRICE CORRESPONDING TO US$ 7/BBL F.O.B., AVERAGE PRICE OF IMPORTED CRUDE OIL AS DEFINED IN PARA-GRAPH 3 OF CHAPTER III, SECTION D, FOR EACH PARTICIPATING COUNTRY OR GROUP OF PARTICIPATING COUNTRIES;

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(C) OR AS A PRICE CORRESPONDING TO US$ 7/BBL F.O.B.,
AVERAGE PRICE OF (16 CRUDES IDENTIFIED BY THE STANDING
GROUP ON THE OIL MARKET) WEIGHTED BY THE VOLUME PERTINENT
TO THE IEA COUNTRIES AS A WHOLE IN A SPECIFIC BASE PERIOD;

(D) OR AS A PRICE CORRESPONDING TO US$ 7/BBL F.O.B.,
AVERAGE PRICE OF (16 CRUDES IDENTIFIED BY THE STANDING
GROUP ON THE OIL MARKET) WEIGHTED BY THE VOLUME OF THESE
CRUDES IMPORTED BY THE RLEVANT PARTICIPATING COUNTRY OR
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GROUP OF PARTICIPATING COUNTRIES IN A SPECIFIC BASE
PERIOD.

2. THE COMMITMENT OF EACH PARTICIPATING COUNTRY OR GROUP
OF PARTICIPATING COUNTRIES SET FORTH IN CHAPTER III,
SECTION D, PARAGRAPH 1 OF THE PROGRAM WILL BE FULFILLED;

(A) AS FAR AS CRUDE OIL IS CONCERNED, WHEN THE AVERAGE
PRICE OF IMPORTED CRUDE OIL IS INCREASED BY AN AMOUNT
EQUAL TO THE DIFFERENCE BETWEEN THE MSP AND THE AVERAGE
F.O.B. PRICE PAID FOR IMPORTED CRUDE OIL BY THE PARTICI-
PATING COUNTRY. IN DETERMINING THE AVERAGE F.O.B. PRICE
OF THE IMPORTED CRUDE OIL, A MARKER CRUDE(S) SYSTEM WILL
BE USED.

(B) AS FAR AS OIL PRODUCTS ARE CONCERNED, WHEN THE
AVERAGE PRICES OF IMPORTED OIL PRODUCTS ARE INCREASED BY
THE AMOUNT SET FORTHE IN (A) ABOVE. THIS CAN BE REALIZED
EITHER BY LIFTING THE PRICE OF EACH TYPE OF IMPORTED
PRODUCT BY THE SAME AMOUNT OR BY MODIFICATION OF THE
INCREASE OF THE PRICE OF IMPORTED PRODUCTS BY A SPECIFIC
COEFFICIENT DEVELOPED FOR EACH TYPE OF PRODUCT.

3. THE SLT SHALL EXAMINE AND REPORT TO THE GOVERNING
BOARD FOR ITS DECISION BY 1ST JULY, 1976, ON:

(A) THE MODALITIES OF THE MARKER CRUDE(S) SYSTEM
REFERRED TO IN PARAGRAPH 2(A) ABOVE CONSIDERING THE
RELATIONSHIP OF MARKR CRUDE(S) TO OTHER IMPORTED CRUDES;

(B) THE PERIOD AND THE AMOUNT SET FORTH IN CHAPTER III,
SECTION D, PARAGRAPH 10 OF THE PROGRAM;

(C) THE MODALITIES OF THE DE-ACTIVATION OF THE COMMIT-
MENT SET FORTH IN CHAPTER III, SECTION D, PARAGRAPH 1.

4. (A) OIL PRODUCTS SHALL INCLUDE:

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- KEROSENE AND KEROSENE-TYPE JET FUEL; GAS/DIESEL OIL;
- RESIDUAL FUEL OILS.

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(B) THE SLT SHALL EXAMINE AND REPORT TO THE GOVERNING BOARD FOR ITS DECISION BY 1ST JULY, 1976, WHETHER OR NOT OIL PRODUCTS TO BE USED AS FEEDSTOCKS FOR THE PETROCHEMICAL INDUSTRY SHALL BE INCLUDED. THIS STUDY SHOULD COVER, AMONG OTHER MATTERS, THE QUESTION OF DISTINGUISHING BETWEEN OIL PRODUCTS USED AS FEEDSTOCKS FOR THE PETROCHEMICAL INDUSTRY AND OTHER OIL PRODUCTS, THE EFFECT ON THE COMPETITIVE POSITION OF THE INDUSTRY AND THE BEST WAY TO AVOID COMPETITIVE DIFFICULTIES FOR PETROCHEMICAL FEEDSTOCKS AS A RESULT OF AN MSP CHARGE ON IMPORTED OIL. THE SLT SHALL PURSUE THIS SUBJECT AS A MATTER OF PRIORITY. ON THE BASIS OF THIS REPORT BY THE SLT, THE GOVERNING BOARD WILL DECIDE ON THE QUESTION OF THE INCLUSION OF THE FOLLOWING PRODUCTS:

- MOTOR GASOLINE, AVIATION GASOLINE, GASOLINE-TYPE JET FUEL;
- NAPHTHA.

5. THE SLT SHALL EXAMINE AND REPORT TO THE GOVERNING BOARD FOR ITS DECISION BY 1ST JULY, 1976, ON THE PROBLEMS OF DEFINITION AND ORIGIN OF OIL.

6. THE GOVENING BOARD, ACTING BY UNANIMITY, MAY UPON A REQUEST BY A PARTICIPATING COUNTRY, GRANT EXCEPTIONS TO THE DEFINITION OF IMPORTED OIL SET FORTH IN CHAPTER III, SECTION D, PARAGRAPH 3, SUBPARAGRAPH (C) OF THE PROGRAM, TAKING INTO CONSIDERATION, AMONG OTHERS, THE FOLLOWING FACTORS:

(A) WHETHER THE OIL CONCERNED IS DIRECTLY ATTRIBUTABLE TO AND PROPORTIONATE TO AN ENERGY-RELATED INVESTMENT MADE BY THE PARTICIPATING COUNTRY AFTER THE DATE OF ADOPTION OF THE PROGRAM;

(B) THE NEED TO ASSURE THAT THE OVERALL EFFECTIVENESS OF THE GENERAL MEASURES AS A MEASURE TO ENCOURAGE AND SAFEGUARD NEW ENERGY INVESTMENT IS NOT PREJUDICED; AND

(C) THE NEED TO ASSURE THAT THE BALANCE OF ADVANTAGE

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AMONG THE PARTICIPATING COUNTRIES IS NOT SIGNIFICANTLY

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ALTERED.

7. WITH REGARD TO CHAPTER III, SECTION D, PARAGRAPH 5
OF THE PROGRAM, THE MEASURES ARE AS FOLLOWS:

(A) A SPECIFIC CHARGE (OTHERWISE KNOWN AS A SPECIFIC
LEVY, DUTY, TARIFF OR FEE) ADJUSTED PERIODICALLY, IMPOSED
AT THE BORDER ON OIL ARRIVING AT AN F.O.B. PRICE BELOW
THE MSP, DESIGNED, ON AVERAGE, TO BRING THE PRICE UP TO
THE MSP;

(B) A VARIABLE CHARGE (OTHERWISE KNOWN AS A VARIABLE
LEVY, DUTY, TARIFF OR FEE) ADJUSTED CARGO BY CARGO,
IMPOSED AT THE BORDER ON OIL ARRIVING AT AN F.O.B. PRICE
BELOW THE MPS, DESIGNED TO BRING THE PRICE UP TO THE

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MSP;

(C) IMPORT QUOTE;

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(D) CONSUMPTION TAXES OR OTHER TAXES IF PRACTICABLE AND CONSISTENT WITH THE OVERALL OBJECTIVE OF CHAPTER III, SECTION D OF THE PROGRAM;

(E) OTHER MEASURES AS MAY BE DEEMED APPROPRIATE BY THE GOVERNING BOARD.

ANNEX II
GUIDING PRINCIPLES FOR COOPERATION IN THE FIELD OF ENERGY RESEARCH AND DEVELOPMENT

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